

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 L-03 FRB-03

OMB-01 ITC-01 SP-02 USIA-06 AGRE-00 AID-05

CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02

SIL-01 STR-07 TRSE-00 CEA-01 SS-15 AF-10 ARA-10

NEA-10 /135 W

-----065535 281944Z /47

R 281852Z FEB 78

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6285

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

USMISSION GENEVA

USMISSION USUN NEW YORK

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USEEC

E.O. 11652: N/A

TAGS: EAID, EFIN, UNCTAD, GW

SUBJECT: FRG POSITION ON UNCTAD DEBT QUESTIONS

REF: (A) STATE 48583; (B) LONDON 3174 (NOTAL)

1. SUMMARY: FRG URGES U.S. TO AGREE TO TABLING OF US/EC FEATURES PAPER AT GENEVA MEETING NEXT WEEK AND GIVES INDICATION OF FURTHER FRG FLEXIBILITY ON LDC DEBT AT A LATER STAGE. END SUMMARY.

2. EMBOFF CONVEYED SUBSTANCE REF A FEBRUARY 28 TO MUELLER-THUNS IN FRG ECONMIN. WE ALSO CALLED HIS LIMITED OFFICIAL USE

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ATTENTION TO FEBRUARY 27 FINANCIAL TIMES ARTICLE (REF B), WHICH WAS FAIRLY HEAVILY REPORTED IN FEBRUARY 28 GERMAN FINANCIAL PRESS.

3. MUELLER-THUNS SAID ARSENIS OF UNCTAD HAD BEEN IN BONN FEBRUARY 27 AND APPEARED TO HAVE GOT THE MESSAGE CONVEYED IN PARAS 6, 7, AND 8 OF REF A. FRG OFFICIALS

TOLD ARSENIS THAT G-77 AND US/EC POSITIONS ARE NOT "LINKABLE" AND THAT WHILE US/EC MIGHT BE AMENABLE TO SOME "SEMANTIC" CHANGES, NO REAL SUBSTANTIVE CHANGES WERE POSSIBLE.

4. MUELLER-THUNS SAID U.S. POSITION AS DESCRIBED IN REF A COINCIDED WITH FRG POSITION, EXCEPT THAT FRG HOPES USG WILL AGREE TO FORMAL TABLING OF US/EC FEATURES PAPER IN GENEVA NEXT WEEK. FRG OFFICIALS, LIKE THEIR EC COLLEAGUES, BELIEVE THAT MEETING NEXT WEEK SHOULD TRY TO ACHIEVE AT LEAST SOME MINIMAL RESULT AND THAT AGREEMENT TO FORMAL TABLING OF US/EC FEATURES PAPER WOULD CONTRIBUTE TO CONSTRUCTIVE ATMOSPHERE AND APPEARANCE OF SOME MINIMAL RESULT.

5. MUELLER-THUNS SAID FRG MINISTRIES OF ECONOMICS, ECONOMIC COOPERATION AND FOREIGN AFFAIRS (BUT NOT MIN FINANCE) ARE AGREED THAT US/EC FEATURES PAPER IS NECESSARY, BUT NOT ENOUGH. THE THREE MINISTRIES BELIEVE THAT THE LEAST DEVELOPED COUNTRIES NEED SOME BALANCE OF PAYMENTS (BOP) RELIEF AND THAT RETROACTIVE ADJUSTMENT OF LOAN TERMS PLUS GRANTS FOR THE FUTURE WOULD BE THE MOST DESIRABLE SOLUTION AND NEED NOT BE VERY COSTLY.

6. MUELLER-THUNS EMPHASIZED THAT ANY AGREEMENT TO SUCH LIMITED OFFICIAL USE

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RETROACTIVE ADJUSTMENT SHOULD BE NARROWLY DEFINED TO INCLUDE ONLY THE LEAST DEVELOPED -- AND NOT THE "MOST SERIOUSLY AFFECTED" (MSA) -- AND THAT THERE WAS NO NEED FOR DEROGATIONS FROM THE PRINCIPLE OF CASE-BY-CASE TREATMENT. FOR THE MSA'S THE THREE MINISTRIES THINK LOAN TERMS MIGHT EVENTUALLY BE ADJUSTED TO CONFORM TO IDA TERMS. EACH DONOR WOULD BE FREE TO LIMIT RELIEF TO BENEFICIARIES DESIGNATED BY IT. MUELLER-THUNS SUGGESTED THAT THE END RESULT MIGHT BE A SET OF FOUR DIFFERENT TYPES OF LOAN TERMS AS FOLLOWS:

A) GRANTS - FOR THE LEAST DEVELOPED;

B) IDA TERMS (86 PERCENT GRANT ELEMENT) FOR THE NEXT CATEGORY;

C) STANDARD TERMS FOR NORMAL LDC'S; AND

D) "LESS SOFT" TERMS FOR WEALTHY LDC'S.

7. CURRENT DEROGATION OF THE FINANCE MINISTRY FROM THIS OTHERWISE UNITED FRONT RESTS ON THREE POINTS. THE

FIRST AND LEAST PERSUASIVE, IS THAT THE MEASURES  
SUGGESTED WILL ENTAIL "HEAVY" FINANCIAL COSTS AND SO  
FAR NOTHING HAS BEEN SET UP TO HANDLE THIS. SECOND,  
THE FINANCE MINISTRY ANTICIPATES THAT THERE WILL BE  
PROBLEMS OF RESTRICTING THESE MEASURES TO SPECIAL

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USEEC

COUNTRIES SUCH AS INDIA, EGYPT AND PAKISTAN WILL BE  
INCLUDED. THE NET RESULT, ACCORDING TO THIS OFFICIAL  
IS A STEP TOWARDS AUTOMATIC DEBT RELIEF WITHOUT THE  
FEATURES. FINALLY, SEPARATION OF OFFICIAL AND PRIVATE  
DEBT IS VIEWED AS A DISTINCT PROBLEM. THE FINANCE  
MINISTRY OFFICIAL WITH WHOM WE SPOKE INDICATED THAT  
THEY FORESEE IN A RELATIVELY SHORT TIME THAT COUNTRIES  
SUCH AS EGYPT, INDIA AND PAKISTAN COULD REAPPEAR  
SAYING THAT THE DEBT BURDEN DOES NOT FALL OUT FROM  
OFFICIAL DEBT BUT RATHER FROM PRIVATE DEBT AND WILL  
REQUEST A RESCHEDULING EXERCISE IN ANY CASE.

8. A FINAL DECISION ON THIS INTERMINISTERIAL  
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DIFFERENCE IS NOT EXPECTED UNTIL THE FRG CABINET  
MEETING SCHEDULED FOR MARCH 8. AFTER THE MARCH 8  
CABINET DECISION, THE FRG WOULD, OF COURSE,  
DISCUSS THEIR PROPOSALS FIRST WITH THEIR EC COLLEAGUES  
AND THEN WITH THE U.S. BEFORE PRESENTING THEM TO THE  
G-77.

9. MUELLER-THUNS CONFIRMED THAT ARSENIS (AS REPORTED  
IN FINANCIAL TIMES) HAD PLEADED THE SPECIAL NEEDS OF  
EGYPT, INDIA, PAKISTAN AND SRI LANKA. FRG HAD  
REPLIED THAT INDIA HAD NO BOP PROBLEM AND COULD NOT BE  
CONSIDERED. ARSENIS HAD EMPHASIZED THAT THESE COUNTRIES  
HAD TAKEN THE POLITICAL LEADERSHIP AND NEEDED SOME  
MINIMAL RESULT FOR POLITICAL REASONS. ARSENIS ALSO  
URGED PROMPT ACTION AND HOPED THAT THE FINAL TEXT  
WOULD NOT BE TOO VAGUE, CITING ORIGINAL GSP AGREEMENT  
AS AN EXAMPLE OF EXCESSIVELY VAGUE LANGUAGE.

10. IN REPLY TO ARSENIS FRG OFFICIALS SAID THEY HAD  
NEVER INTENDED TO EXCLUDE POSSIBILITY OF AID TO OTHERS  
THAN LEAST DEVELOPED, BUT SAW DANGERS IN A FORMULA  
THAT WAS TOO GENERAL. THEY SUGGESTED THAT PROVISION  
FOR MSA'S MIGHT BE CONSIDERED AT SOME LATER STAGE.

11. HEAD OF FRG DELEGATION AT GENEVA WILL BE PETER  
HERMES, STATE SECRETARY IN FOREIGN OFFICE.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**Concepts:** POLICIES, DEBTS, AMENDMENTS  
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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Errors:** N/A  
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**Original Previous Handling Restrictions:** n/a  
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**Review Release Event:** n/a  
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**Review Withdrawn Fields:** n/a  
**SAS ID:** 3581327  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FRG POSITION ON UNCTAD DEBT QUESTIONS  
**TAGS:** EAID, EFIN, GE, UNCTAD  
**To:** STATE  
**Type:** TE  
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